

Demystifying category management for small retailers operating in low data environments.

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Retail is a vibrant and highly competitive sector in which small businesses often contend with challenges around the implementation of effective category management strategies. This is often attributed to SMEs limited access to detailed data.



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By developing your understanding of the core principles of category management – you can adapt them to your unique circumstances. Moreover, arming yourself with knowledge can assist you in making better, informed decisions that drive sales and enhance customer satisfaction.

Unpacking category management

It is a strategic approach to retail business management that focuses on product categories as individual business units. It involves managing product categories to maximise sales and profit which in turn can require detailed data analysis.

However, small retailers might not have access to granular data. This is where it is important to note that limited data does not translate to 'no data' - there are ways in which you can leverage what you have to assist you in making informed decisions.

Let's commence with what is possibly the most important data – sales and how to make the most of it. Never forget that even the most basic sales data can be a veritable information goldmine. Start with the data you have, even if it's very basic – by combining it with the right strategies you can still effectively manage your categories.

The following are my recommendations for strategies you can deploy to unlock the value of category management in your business:

- **Start by listening to your customers** - direct customer feedback can be incredibly insightful. You need to encourage customers – possibly even incentivise them in some small way through a competition etc., or potential discount off their next shopping basket.

Basically, devise ways to encourage them to share their thoughts through feedback forms, surveys, even casual conversations.

The trick is to pay close attention to their preferences, complaints, and suggestions. Throughout my career, I have conducted numerous such exercises in person. The information gathered, albeit informally, has often been sufficient to enhance sales performance when applied effectively.

While not diminishing the value of formal research, I have come to believe that informal customer feedback is an essential starting point for investigating ways to improve the point of sale.



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- **Next, listen to your staff** - they are a valuable source of information and are also your good will ambassadors. You must motivate them by encouraging them to reveal their observations and insights. Merchandisers, for example spend most of their time in front of shelves unpacking and rearranging products. In this way they have a direct view of how shoppers buy, what they are looking for, and what frustrates them.
 - **Build supplier relationships** – developing strong partnerships with suppliers is key to opening the door to valuable information as suppliers have access to the broader market and shopper insights. They can provide invaluable data on product trends, shopper preferences, and industry benchmarks.

Customer insights can inform how products should be grouped and sequenced to enhance on-shelf visibility, thereby addressing complete solution offerings or fulfilling specific needs. By strategically grouping products on the shelf, retailers can potentially encourage customers to purchase more items or opt for higher-value products, effectively increasing the total value of each sale.

- **Inventory turnover analysis** – investigating how quickly items are sold and restocked can offer insights into the performance of specific items. Top product sellers are usually your best performers, typically requiring more frequent replenishment – such items can benefit from increased shelf space.

Such analysis can guide your stocking decisions while also providing perspective on how poorly performing products, with extensive shelf space, are appropriating both space and visibility to the detriment of better performing items. This can result in revenue being tied up on the shelf, high replenishment rates, frequent out-of-stock situations, and often an overstocked back room.

- **Technology tools for small retailers** – are available. Your budget may not stretch to sophisticated category management software but basic analytics tools are readily available and user-friendly. Such tools can assist you to track sales, monitor inventory levels, and analyse customer buying patterns.

A good example is Excel - a spreadsheet programme from Microsoft and a component of its Office product group for business applications. Microsoft Excel enables users to format, organise and calculate data in a spreadsheet.

By organising data using software like Excel, data analysts and other users can make information easier to view as data is added or changed. It is widely accessible and user-friendly and can be used for basic analytics. Many businesses, especially smaller ones, use Excel as a cost-effective tool for these purposes, making it a practical choice when more sophisticated category management software is not within their budget or capabilities.

Test and learn

The question to ask now is how do you get the ball rolling? I advise you to commence by focusing on modifying the changes that are likely to yield the most promising results. Start with small changes in your product range and merchandising strategies – then scrutinise the results. You'll need to work out whether the methodology you used to effect the changes can also serve as best practice.

If the answer is 'yes', then you can go ahead and apply to similar categories. Because it's crucial that you remain informed about technology and general trends in your sector you will need to factor in an investment in more advanced data collection and analysis. But this is less daunting than you think because you can fund it from the inevitable growth your business will enjoy from a continuous refinement of your approach to category management.

So, to reiterate, the implementation of category management in a low data environment is not without its challenges but it's important to understand it can be done and in doing it you can unlock a treasure trove of business benefits. You know the old phrase, 'from little acorns mighty oaks grow', my advice is to be strategic in your thinking and start small, incrementally building over time.

The rewards of this approach are proven to be immense and include enhanced business performance due to better decision making.

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